Sir F. Gauntlett note

App. F. IX-4

Previous References

1930-31
~~CB~~
CB

File No. 34/30

Serial Nos. 25

Later References

MP 97-30 - (Rs 5-6-23)
Nothing (CC) 5-30

General and Revenue Secretariat.

Serial Nos. 25, 26

Part B for January 1931

SUBJECT.

Sir Frederick Gauntlett's no
on the bimonthly case of the Indi
States & a note by the Director
the Princes' Special Organisation

1469

General and Revenue Secretariat | CB File No. 34 of 1930.

Serial No.	
25	From the Private Secy to His Highness D.O letter No 602 D 12.10.30. Terms for disposal Sir Frederic Gauntlett's Note on the Economic Case of the Indian States with a note by the Director of the Princes' Special Organisation Chief Secy's orders: "C.B. Acknowledge" To D.O No 1589 D 16.10.30 To the Private Secy to His Highness Acknowledges the receipt of the above note referred to.
26	

DEWAN'S OFFICE
21 OCT. 1930
1885

OFFICE OF THE [illegible] COUNCIL
26 NOV. 1930
1918

Dated for perusal.

Dewan

17/10/30

Member of Council

25/11/30

29/11/3.

7.1.31

7/1

OFFICE OF THE SECOND MEMBER OF COUNCIL
29 NOV. 1930
No. 4654

NOTE—Contn. Sheet

WD 02553—50,000—GPB—8-7 30

D.O.No.402
Echo.

Vasantha Mahal,
Mysore, 12th October 1930.

CB.1419
CA 34-30-25

Dear Mr. Madhava Rau,

I send you now herewith for favour of disposal Sir Frederic Gauntlett's "Note on the Economic Case of the Indian States", which I showed you the other day, together with a note by the Director of the Princes' Special Organization on the lines which the investigation of the economic case is likely to follow and a statement of the information required for the preparation of the case.

This is really, I suppose, the matter that affects Mysore more than any other. I still can't help feeling that it would be much better if it could be dealt with on broad principles and without entry into a maze of calculations, almost every one of which will involve more or less arbitrary assumptions But if that is the plan to be followed elsewhere, I presume Mysore will have to collect the figures too.

It certainly will have a very strong array of them to put forward.

I have written asking Sir Frederic for a further supply of copies of his note.

Yours sincerely,

INFORMATION REQUIRED FOR PREPARATION OF CASES OF INDIVIDUAL STATES.

1. Clauses in treaties or sanads relating to

(*a*) protection :

(*b*) exemption from taxation levied in British India :

(*c*) payment of tribute or subsidy and reasons for same :

2. If territory was ceded

(*a*) the reasons for the cession, and

(*b*) the districts or portions of districts in British India which correspond to the ceded territory.

3. Information relevant to the claim regarding customs

(*a*) Population.

(*b*) Information which may indicate the extent to which inhabitants of the State consume or use goods on which British Indian customs dues have been paid in comparison with the extent to which inhabitants of British India consume or use such goods. The following information is relevant :

(*i*) If the State levies customs on such goods on entry into the State the consumption must be judged from the State customs levied.

If not :

(*ii*) Proportion of urban to rural population :

(*iii*) Proportion of population who live in European style :

(*iv*) Extent to which industries or manufactures, requiring goods on which British Indian customs have to be paid, are developed in the State :

(*v*) Rates of wages or salaries compared with rates in neighbouring districts in British India.

(*c*) (*i*) Is the State willing to enter into a Zollverein ?

(*ii*) If the State now levies customs, and if abandonment of customs were made a condition of entering into a Zollverein, would the State demand compensation ? If so how much, and how would you calculate the amount ?

4. Information relevant to the claim regarding railways.

(*a*) The total mileage

(*i*) inside the State

(*ii*) outside the State

of railways belonging to the State.

(*b*) The net annual profit from the same.

(*c*) The mileage in the State of railways belonging wholly or partly to the Government of India.

(*d*) If the answer to (*c*) be "*nil*" what proportion of the profits earned by the Government of India from its railways would the State claim and why ?

(*e*) If it be admitted that the Government of India is entitled to claim a share of profits earned by railways belonging to States in view of the counterclaim of the States for a share of the profits earned by the Government of India from its railways, what proportion of the profits of the railways belonging to the State, if any, would the State be prepared to hand over to the Government of India and how would such proportion be calculated ?

(*f*) Would the State desire to press for the permanent representation of the States on the Railway Board, or would it be content with representation when matters affecting the States come up for discussion ?

(*g*) What modification does the State desire in the present regulations regarding railway jurisdiction ?

(*h*) What is the claim of the State regarding miscellaneous revenues received by the Government of India from railway areas within the State—see paragraph 113 of the note ?

5. Information relevant to the claim regarding Opium and Excise.

(*a*) Would the State regard its claim in respect of consumption of opium as satisfied if the Government of India agreed to supply to the State all the opium required for consumption within the State at the cost price at Ghazipur Factory *plus* cost of carriage if the cost price be calculated neglecting overhead charges ?

(*b*) If so

(*i*) What is the consumption of opium in the State ?

(*ii*) Would the State agree to retail the opium at the price in force in neighbouring districts in British India ? and

(*iii*) If so what would be the *net* profit to the State from such sale ?

(*c*) Information which may indicate the extent to which inhabitants of the State use motor spirit and kerosene in comparison with the extent to which inhabitants of British India use such goods.

(**Notes**—1. Much of the information to be obtained under 3 (*b*) above would be relevant here.

2. As special questions arising from growth and stocks of opium are now being settled between the Government of India and the States concerned by direct negotiation they are not dealt with here).

6. Information relevant to the claim regarding Salt.

(*a*) The consumption of salt *per capita* in the State.

(*b*) The effect of any reference to salt in any treaty with the State.

(*c*) Any deleterious effect to the soil from refusal to permit extraction of salt.

(*d*) The financial effect upon maritime States of refusal to permit export of salt outside British India.

7. Information relevant to the claim regarding Posts and Telegraphs

(*a*) Seeing that the aim of the Government of India is to make neither profit nor loss on the working of that Department, and that, unless rates be changed, a loss must be anticipated during the next few years, in which the State would have to participate if it claimed a share of the profits, does the State desire to press a claim to share in the profits ?

(*b*) What are the claims of the State regarding the minor matters referred to in paragraph 141 of the Note ?

(*c*) If the idea of a Federal Government be accepted, there will be steady pressure for the development of Federal machinery for the whole of India such as a Zollverein, a Board of Central Revenue, a Railway Board, a unified system of Posts and Telegraphs and so forth. If the State has its own Postal system would it be prepared to abandon it and, if not, would it press for a convention which would ensure complete reciprocity of action ?

8. **Information relevant to the claim in respect of Mint aud Currency.**

(*a*) The extent to which British Indian coins and notes circulate in the State.

(*b*) Do any other notes and coins circulate in the State ? If so, to what extent ?

(*c*) If the State has its own Mint and Currency systems

(*i*) What profits have been made during the last 5 years (or any other period for which the figures can be more conveniently obtained) ?

(*ii*) Is it prepared to give up such systems, and if not why not ? If it were prepared to do so on payment of compensation, what amount would be acceptable ?

(*iii*) Does the State consider that it has any claim on the profits of the British Indian Mint and Currency systems, and if it does, how would it calculate that share ? Are there any figures of circulation of British Indian coin and notes in the State ?

9. Information relevant to the counter-claim in respect of protection.

(*a*) Three alternative sets of principles are propounded in the note. Which would the State prefer to adopt ?

(*b*) If the claim of the States to complete protection free of cost be rejected does the State agree

(*i*) that the Government of India can claim only in respect of foreign defence ?

(*ii*) that the Government of India can claim only in respect of the *increase* in the cost of foreign defence, and not in respect of the total cost of foreign defence at present ?

(*iii*) that the cost of the Army shall be taken as Rs. 52 crores (or Rs. 49 crores if Burma be separated) ?

(*c*) What is the present cost of

(*i*) Reorganised State Forces *i.e.*, the forces recognised by the Government of India ?

(*ii*) that portion of the Reorganised State Forces which is earmarked, or may be regarded as available, for mobilisation ?

(*iii*) the cost of other military forces maintained by the State ?

(*d*) In each case what would be the cost if officers and rank and file were paid the same rates of pay as corresponding ranks in Indian regiments in the Army in British India ?

(**Note**—The information asked for under heads 1 and 2 above will be relevant in this connection. The net return from the ceded territories will be ascertained by a special committee).

10. Information relevant to the counterclaim in respect of civil burdens.

(*a*) The note sets out three alternative sets of principles. Which does the State desire to adopt ?

(*b*) If the principle be accepted that the States must bear a share of the cost of work which has a direct connection with, or confers a direct benefit upon, the States, each State will have to estimate the share to be borne by the State of local expenditure of the Government of India *e. g.*, the cost of the local Residency or Agent, and the cost of Agricultural or Research Institutes, the work of which may be deemed to confer some direct benefit upon the State.

16th October 1930 xx

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C.A.34-30-26

Dear Sir Charles,

I am desired to acknowledge with thanks the receipt of Sir Frederic Gauntlet's "note on the Economic case of the Indian States" and a note by the Director of the Princes' Special Organisation, sent with your D. O. letter No.402 dated 12th October 1930.

Yours sincerely,

To

Sir Charles Todhunter, K.C.S.I.,

Private Secretary to His Highness the Maharaja of Mysore.